

MASON CONSOLIDATED SCHOOLS
Erie, Michigan

ANNUAL FINANCIAL REPORT
June 30, 2020

MASON CONSOLIDATED SCHOOLS

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Independent Auditor's Report

Board of Education
Mason Consolidated Schools
Erie, Michigan 48133

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Education
Mason Consolidated Schools

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

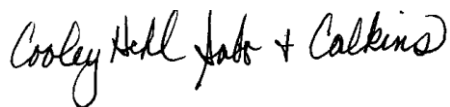
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 5 through 12, 42 through 47, and 48 through 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mason Consolidated Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.



September 29, 2020

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Board of Education
Mason Consolidated Schools
Erie, Michigan 48133

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mason Consolidated Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mason Consolidated School's internal control. Accordingly, we do not express an opinion on the effectiveness of Mason Consolidated School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

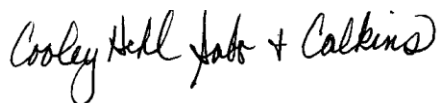
Board of Education
Mason Consolidated Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mason Consolidated Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 29, 2020

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2020*

This section of Mason Consolidated Schools annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Special Revenue Funds, and the Capital Projects Fund.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Mason Consolidated Schools financially as a whole. The ***District-Wide Financial Statements***, which include the Statement of Net Position and the Statement of Activities, provide information about the activities of the School District as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the School District's operations in more detail than the ***District-Wide Financial Statements*** by providing information about the School District's most significant funds - the General Fund and the Sinking Capital Projects Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)*

Basic Financial Statements

District-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for Major Funds

Pension Schedules

OPEB Schedules

(Required Supplemental Information)

Other Supplemental Information

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2020*

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities (pages 13-14), which appear first in the School District's financial statements, report information on the School District as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, childcare, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Fund Financial Statements

The School District's Fund Financial Statements (pages 15-19) provide detailed information about the most significant or "major" funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 16 and 18.

Fiduciary funds - The School District is the trustee, or fiduciary for its student activity funds. All of the School District's fiduciary activities are reported in the Statement of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis Year Ended June 30, 2020

District-Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2020 and 2019.

Table 1

Comparative Statement of Net Position

	June 30, 2020	June 30, 2019
Current and other assets	\$5,243,441	\$4,820,981
Capital assets	3,319,421	3,371,139
Total Assets	8,562,862	8,192,120
Deferred outflows of resources	6,971,548	7,012,978
Current and other liabilities	1,517,234	1,545,902
Long-term liabilities	24,754,506	23,863,160
Total Liabilities	26,271,740	25,409,062
Deferred inflows of resources	2,854,385	2,789,964
Net Position		
Net investment in capital assets	3,319,421	3,371,139
Restricted for technology enhancement	394,607	360,512
Restricted for food service	131,884	108,117
Restricted for capital projects	1,484,679	1,050,550
Unrestricted	(18,922,306)	(17,884,246)
Total Net Position	(\$13,591,715)	(\$12,993,928)

As depicted in Table 1, the School District's net position was a deficit of \$13,591,715 at June 30, 2020. Of this amount, a negative \$18,922,306 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The operating results of the General Fund and the changes in the net pension and OPEB liabilities will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for the fiscal years ended June 30, 2020 and 2019.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2020*

District–Wide Financial Analysis - Concluded

Table 2

Comparative Statement of Activities

	June 30, 2020	June 30, 2019
Revenues		
Program revenues:		
Charges for services	\$170,073	\$217,057
State grants and other revenue	2,456,907	2,237,366
Federal grants	595,991	493,228
	3,222,971	2,947,651
General revenues:		
Property taxes	1,960,312	1,941,583
State foundation allowance	7,140,210	6,966,174
Other general revenues	69,317	453,806
	9,169,839	9,361,563
 Total Revenues	 12,392,810	 12,309,214
 Functions/Program Expenses		
Instruction	8,004,230	7,136,100
Support services	4,199,829	4,120,936
Community services	55,080	43,542
Food services	558,444	545,020
Depreciation	173,314	166,393
 Total Expenses	 12,990,897	 12,011,991
 Increase (Decrease) in Net Position	 (\$598,087)	 \$297,223

As indicated in Table 2, the cost of *all governmental* activities this year was \$12,990,897. Of this amount, \$3,222,971 was subsidized with revenue generated from charges for services, grants, and other contributions with the remaining costs financed with general revenues.

The School District experienced a decrease in net position this year of \$598,087. Revenues increased by \$83,596. Expenses increased by \$978,906 from the prior year. The increase in net position differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net position appears on page 18.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2020*

Fund Financial Analysis

As noted earlier, the School District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether Mason Consolidated Schools is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,725,907 which is an increase of \$450,828 from last year. The changes by major and nonmajor funds are as follows:

	General Fund	Sinking Fund	Nonmajor Funds	Total
Fund balances -				
Beginning of year	\$1,755,900	\$1,050,550	\$468,629	\$3,275,079
Increase (decrease)	(41,163)	434,129	57,862	450,828
Fund balances –				
End of year	\$1,714,737	\$1,484,679	\$526,491	\$3,725,907

The School District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

Revenues	June 30, 2020	June 30, 2019	Percent Change
Local sources	\$1,208,824	\$1,210,108	(0.1)%
State sources	9,076,369	8,796,250	3.2%
Federal sources	167,298	201,137	(16.8)%
Interdistrict and other sources	495,525	792,051	(37.4)%
Total revenues	\$10,948,016	\$10,999,546	(0.5)%

The increase in State source revenue is mainly due to an increase in State school aid during the current fiscal year. The decrease in Federal sources is due to a reduction in Title I, II, and IV funding during the current fiscal year. The reduction in Interdistrict and other sources is due to a reduction in the County special education tax in the current fiscal year, as well as the sale of the Luna Pier property being accounted for in the prior fiscal year. The following page reflects an increase in instruction expenditures, which are due to increases in salaries and employee benefits. There was a decrease in support services expenditures, mainly due to reductions in business administration and operation and maintenance expenditures.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2020*

Fund Financial Analysis – Concluded

Expenditures	June 30, 2020	June 30, 2019	Percent Change
Instruction	\$7,186,299	\$6,840,484	5.1%
Support services	3,757,757	3,936,017	(4.5)%
Community services	45,123	40,592	11.2%
Total expenditures	<u>\$10,989,179</u>	<u>\$10,817,093</u>	1.6%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Board of Education to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

Beginning Budget versus Ending Budget:

Revenues: The original budget for revenues was \$10,206,378 versus the final budget of \$11,117,479. Major adjustments were as follows:

- An adjustment was made for the actual blended pupil count: 1,004.76 students were budgeted, actual blended count was 1,067.54 a difference of 62.78 FTE's. The foundation was budgeted at \$7,971, an increase of \$100 per student.
- All grants are budgeted in full however revenues are only recognized for corresponding expenditures. Some grant adjustments were:
 - At Risk carryover from previous year was added in the amount of \$89,038,
 - The Special Ed Headlee allocation was increased by \$45,041,
 - Budget in the amount of \$7,348 was reduced for section 147(c), MPSERS Rate Stabilization,
 - Adjustment to allocation for MPSERS cost offset in the amount of \$60,975,
 - Funds for the Early Literacy grant was added in the amount of \$10,112 for carryover and \$11,119 for new year allocation,
 - Additional funds were received for Great Start Readiness for addition of students over 16 in the amount of \$13,200,
 - Carryover in the amount of \$1155 was added for Title II.
- Sale of fixed assets/property was added to the budget in the amount of \$3,377.
- County special education tax budget was increased in the amount of \$113,350.

MASON CONSOLIDATED SCHOOLS

Management's Discussion and Analysis Year Ended June 30, 2020

General Fund Budgetary Highlights (Concluded)

Beginning Budget versus Ending Budget (Concluded):

Expenditures: The original budget for expenditures and transfers was \$10,820,174 versus the final budget of \$11,273,357. Major components of the original budget for expenditures versus final projections are as indicated below:

- The Operation and Maintenance budget was increased \$45,495; Special Projects was included in the amount of \$113,539.
- The budget was adjusted for the corresponding increases/decreases relating to the grant awards mentioned on the previous page.

Final Budget versus Actual Figures:

Revenues: General Fund actual revenue was \$10,948,016 versus a budget of \$11,117,479. Major components to the adjustments are as follows:

- All state and federal grants are budgeted in full however revenues are only recognized for corresponding expenditures.

Expenditures: Actual expenditures were \$10,989,179 versus a budget of \$11,273,357. Major components of final budget versus final actual expenditures are discussed below:

- All state and federal grants are budgeted in full however not fully expended by fiscal year end.
- Operation and Maintenance reflects a variance of \$190,68, which includes funds allocated for special projects that are unspent and will be carried over to the next fiscal year.
- Typical building and departmental underspending.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the School District had \$9,537,808 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, machinery and equipment, buses, and other vehicles. Capital asset additions of \$121,596 consisted of lockers, lighting, a walk-in cooler, network equipment, a pool heater, and bus cameras. Capital asset disposals of \$222,799 included portable classrooms, a tractor, two buses, and three vans. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

Debt Administration

At June 30, 2020, the School District had other obligations which include accrued vacation and sick pay of \$32,556. More detailed information about long-term liabilities is presented in Note 10 to the Financial Statements.

MASON CONSOLIDATED SCHOOLS

*Management's Discussion and Analysis
Year Ended June 30, 2020*

Development of the 2020-21 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the School District's 2020-21 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2021 fiscal year is 90 percent of the October 2020 student count and 10 percent of the previous February's count. The District projected a blended pupil count of 1,040.37 for budgeting purposes. Approximately 77% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a projection of \$350 per pupil foundation decrease to reflect a foundation of \$7,761 per pupil; the foundation had not been set by the legislature at the time of the budget adoption.

The School District has been actively scrutinizing processes and procedures in an attempt to control costs and keep the budget in line with projected revenues. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts.

The budget for the 2020-21 fiscal year was adopted on June 3, 2020. Once the final student count and related per pupil funding is validated, the School District will amend the budget accordingly and will continue to do so periodically throughout the fiscal year as changes to the revenue and expenditure budgets are needed.

Contacting Mason Consolidated Schools Business Office

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, 2400 Lakeside, Erie, MI 48133.

BASIC FINANCIAL STATEMENTS

DISTRICT - WIDE FINANCIAL STATEMENTS

MASON CONSOLIDATED SCHOOLS

*Statement of Net Position
June 30, 2020*

	Governmental Activities
Assets	
Cash and cash equivalents	\$3,549,183
Accounts/taxes receivable	772
Due from other governmental units	1,600,998
Inventory	7,529
Deposits	9,000
Prepaid	75,659
Capital assets less accumulated depreciation	3,319,421
Total Assets	8,562,562
Deferred Outflows of Resources	
Deferred amount of pension expense	5,671,745
Deferred amount of OPEB expense	1,299,803
Total Deferred Outflows of Resources	6,971,548
Liabilities	
Accounts payable	159,144
Salaries payable	647,886
Due to other governmental units	234,473
Other liabilities	432,777
Unearned revenue	42,954
Long-term liabilities:	
Net pension liability	20,383,830
Net OPEB liability	4,338,120
Compensated absences, due in more than one year	32,556
Total Liabilities	26,271,740
Deferred Inflows of Resources	
Deferred amount of net pension liability	1,014,736
Deferred amount of net OPEB liability	1,839,649
Total Deferred Inflows of Resources	2,854,385
Net Position	
Net investment in capital assets	3,319,421
Restricted for technology enhancement	394,607
Restricted for food service	131,884
Restricted for capital projects	1,484,679
Unrestricted	(18,922,606)
Total Net Position	(\$13,592,015)

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

MASON CONSOLIDATED SCHOOLS

*Governmental Funds
Balance Sheet
June 30, 2020*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$1,931,745	\$1,505,915	\$111,523	\$3,549,183
Accounts/taxes receivable	610	162	0	772
Due from other governmental units	1,562,198	0	38,800	1,600,998
Due from other funds	21,398	0	421,611	443,009
Inventory	0	0	7,529	7,529
Deposits	9,000	0	0	9,000
Prepaid	73,118	0	2,541	75,659
	<u>\$3,598,069</u>	<u>\$1,506,077</u>	<u>\$582,004</u>	<u>\$5,686,150</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$127,305	\$0	\$31,839	\$159,144
Salaries payable	639,440	0	8,446	647,886
Other liabilities	429,928	0	2,849	432,777
Unearned revenue	33,218	0	9,736	42,954
Due to other governmental units	231,830	0	2,643	234,473
Due to other funds	421,611	21,398	0	443,009
	<u>1,883,332</u>	<u>21,398</u>	<u>55,513</u>	<u>1,960,243</u>
Fund Balances				
Nonspendable:				
Inventory	0	0	7,529	7,529
Prepaid	73,118	0	2,541	75,659
Restricted for:				
Technology enhancement	0	0	393,288	393,288
Capital projects	0	1,484,679	0	1,484,679
Food service	0	0	123,133	123,133
Committed to:				
Building and grounds	297,844	0	0	297,844
Unassigned	1,343,775	0	0	1,343,775
	<u>1,714,737</u>	<u>1,484,679</u>	<u>526,491</u>	<u>3,725,907</u>
Total Fund Balances	<u>1,714,737</u>	<u>1,484,679</u>	<u>526,491</u>	<u>3,725,907</u>
Total Liabilities and Fund Balances	<u>\$3,598,069</u>	<u>\$1,506,077</u>	<u>\$582,004</u>	<u>\$5,686,150</u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2020*

Total Fund Balances - Governmental Funds			\$3,725,907
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of the capital assets		\$9,537,808	
Accumulated depreciation		<u>(6,218,387)</u>	
			3,319,421
Deferred outflows of resources from subsequent pension expense from measurement date			1,486,200
Deferred outflows of resources from subsequent OPEB expense from measurement date			351,295
Deferred outflows of resources related to pension investment returns, changes in assumptions and changes in experience			4,185,545
Deferred outflows of resources related to OPEB investment returns, changes in assumptions and changes in experience			948,508
Deferred inflows of resources resulting from net pension liability			(1,014,736)
Deferred inflows of resources resulting from net OPEB liability			(1,839,649)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
Net pension liability		(20,383,830)	
Net OPEB liability		(4,338,120)	
Compensated absences		<u>(32,556)</u>	
			<u>(24,754,506)</u>
Total Net Position - Governmental Activities			<u><u>(\$13,592,015)</u></u>

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

*Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2020*

	General	Capital Projects Fund Sinking	Other Nonmajor Governmental Funds	Totals
Revenues				
Local sources	\$1,208,824	\$487,500	\$460,480	\$2,156,804
State sources	9,076,369	20,794	47,327	9,144,490
Federal sources	167,298	0	428,693	595,991
Interdistrict and other sources	495,525	0	0	495,525
Total Revenues	10,948,016	508,294	936,500	12,392,810
Expenditures				
Current:				
Instruction	7,186,299	0	120,314	7,306,613
Support services	3,757,757	0	203,521	3,961,278
Community service	45,123	0	0	45,123
Food service	0	0	548,487	548,487
Interdistrict and other uses	0	0	6,316	6,316
Capital outlay	0	74,165	0	74,165
Total Expenditures	10,989,179	74,165	878,638	11,941,982
Net Change in Fund Balances	(41,163)	434,129	57,862	450,828
Fund Balances - Beginning of year	1,755,900	1,050,550	468,629	3,275,079
Fund Balances - End of year	\$1,714,737	\$1,484,679	\$526,491	\$3,725,907

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

*Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020*

Total Net Change in Fund Balances - Governmental Funds	\$450,828
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense:</p>	
Depreciation expense	(\$173,314)
Capital outlay	121,596
	(51,718)
<p>The statement of net position reports the net pension and OPEB liabilities and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.</p>	
Net change in pension liability	(1,525,218)
Net change in OPEB liability	635,407
Net change in the deferred inflow of resources related to the net pension liability	643,920
Net change in the deferred inflow of resources related to the net OPEB liability	(708,341)
Net change between actual pension contributions and the cost of benefits earned, net of employer contributions	(458,271)
Net change between actual OPEB contributions and the cost of benefits earned, net of employer contributions	416,841
Increases in the liability for compensated absences are reported as a revenue in the statement of activities, but not in the governmental funds.	(1,535)
Change in Net Position of Governmental Activities	(\$598,087)

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Agency Funds		
	Student Activities	Flexible Spending	Total
Assets			
Cash	\$184,180	\$7,560	\$191,740
Total assets	\$184,180	\$7,560	\$191,740
 Liabilities			
Due to student groups	\$181,762	\$0	\$181,762
Due to School District	2,418	0	2,418
Other liabilities	0	7,560	7,560
Total liabilities	\$184,180	\$7,560	\$191,740

See accompanying notes to the basic financial statements.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 1 Description of the School District and Reporting Entity

The School District operates under a locally elected seven member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. This Board of Education controls the School District's instructional and support facilities.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mason Consolidated Schools, this includes general operations, athletics, food service, technology, sinking, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of Mason Consolidated Schools have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

Basis of Presentation

A. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. All of the School District's district-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Individual major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. The General Fund accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The Sinking Fund accounts for property taxes levied for major capital improvements.

The School District reports the following nonmajor governmental funds:

The Food Service Fund and the Technology Fund are the School District's nonmajor governmental funds. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Additionally, the School District's external investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice and penalty.

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent February 15 of the following year. A portion of property taxes assessed are received by the School District from the State of Michigan in the form of a Foundation Allowance. The Foundation Allowance represents the difference between an amount guaranteed by the state and the per pupil tax revenue generated from an 18 mill levy (subject to Headlee rollback) on all non-homestead property. To meet the district per pupil guarantee, the state levies 6 mills on all taxable property on a statewide basis.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as expenditures when received.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and building improvements	50 years
Machinery and equipment	5-20 years
Vehicles	8 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/due from." These amounts are eliminated in the governmental activities column of the statement of net position.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

Compensated Absences - Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's employment contracts. The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is to be paid using expendable available financial resources. These amounts are recorded in the account "other liabilities" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension and OPEB contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

Unavailable/Unearned Revenue - Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned.

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category. They are deferred outflows of resources related to pension and deferred outflows of resources related to OPEB reported in the government-wide statement of net position. The School District reports deferred outflows of resources related to the net pension liability and the net OPEB liability. A portion of these costs represent pension and OPEB contributions to the plan made after the plan's measurement date, but before the fiscal year end. The amount is expensed in the plan year in which it applies.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Concluded)

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has items that qualifies for reporting in this category. They are the future resources yet to be recognized in relation to the pension and OPEB actuarial calculations. These future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liabilities and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The components of net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position is unrestricted when other net position does not meet the definition of net investment in capital assets or is restricted and is available for general use. Restricted resources should be used first, followed by unrestricted amounts.

Pension and Other Post-Employment Benefits – For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, information about the fiduciary net position of the Michigan Public Schools Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (included refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Non-Spendable, Restricted, Committed, Assigned, and Unassigned - The fund balance is categorized as non-spendable, restricted, committed, assigned, or unassigned based on the relative strength of the spending constraints. The School Board has the authority to place funds under the committed category. The Superintendent and his/her designee has the authority to place funds under the assigned category. Restricted resources should be used first, followed by committed funds, assigned amounts, and then unassigned amounts. The School Board desired to maintain, in stable economic times, a fund balance of at least 10% of the District General Fund annual operating expenditures.

- D. Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

G. Restricted Assets

The cash and investments for food service, technology enhancement, and capital projects are restricted for the specific purposes. Restricted assets on the statement of net position and the governmental fund balance sheet represent the cash that can only be used for the purpose for which the revenue was received.

Note 3 Stewardship, Accountability and Compliance

The School District shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2020, the School District incurred expenditures in certain budgetary functions which were in excess of the amounts appropriated. There were no deficit fund balances for any of the School District's funds required to be budgeted.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 4 Deposits and Investments

As of June 30, 2020, the School District's deposits and investments are all on deposit with First Merchants Bank, Fifth Third Bank, Flagstar Bank, and Huntington Bank.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit risk. The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the School District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the School District will do business in accordance with the School District's investment policy.

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to the School District. The School District has \$3,775,411 invested in checking accounts and money markets. The School District's deposits are insured by the FDIC in the amount of \$824,186. Uninsured deposits are \$2,951,225.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Schools District's investment policy, and pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the School District will do business in accordance to the School District's investment policy.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Assets not being depreciated:				
Land	\$8,484	\$0	\$0	\$8,484
Capital assets being depreciated:				
Land improvements	1,502,452	0	0	1,502,452
Buildings and building improvements	6,952,836	21,312	70,839	6,903,309
Machinery and equipment	889,827	100,284	9,029	981,082
Buses	203,444	0	101,996	101,448
Vehicles	81,968	0	40,935	41,033
	9,630,527	121,596	222,799	9,529,324
Total capital assets	9,639,011	121,596	222,799	9,537,808
Less accumulated depreciation:				
Land improvements	(1,010,302)	(45,782)	0	(1,056,084)
Buildings and building improvements	(4,408,671)	(98,170)	(70,839)	(4,436,002)
Machinery and equipment	(586,015)	(26,546)	(9,029)	(603,532)
Buses	(203,444)	0	(101,996)	(101,448)
Vehicles	(59,440)	(2,816)	(40,935)	(21,321)
	(6,267,872)	(173,314)	(222,799)	(6,218,387)
Total accumulated depreciation	(6,267,872)	(173,314)	(222,799)	(6,218,387)
Net capital assets	\$3,371,139	(\$51,718)	\$445,598	\$3,319,421

Depreciation expense was charged to governmental functions as an unallocated expense.

Note 6 Interfund Payables, Receivables, and Transfers

Interfund balances at June 30, 2020, consisted of the following individual fund receivables and payables:

	Due From:		
Due To:	General Fund	Sinking Fund	Total
General Fund	\$0	\$21,398	\$21,398
Food Service Fund	10,177	0	10,177
Technology Fund	411,434	0	411,434
	\$421,611	\$21,398	\$443,009

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers during the 2019-20 fiscal year.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 7 Defined Benefit Pension Plans and Postemployment Benefits

Plan Description - The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management, and Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions and Funded Status – Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20 year period beginning October 1, 2018 and ending September 30, 2038.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Continued)
Contributions and Funded Status (Concluded) - The schedule below summarizes pension contribution rates in effect for fiscal year 2018.

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0	13.39%

Required contributions to the pension plan from the District were \$1,635,143 for the year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities - At June 30, 2020, the School District reported a liability of \$20,383,830 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled-forward from September 2018. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the School District's proportion was 0.06155163 percent, which was an increase of 7.48249 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$2,974,536. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$91,367	(\$84,999)
Changes of assumptions	3,991,168	0
Net differences between projected and actual earnings on pension plan investments	0	(653,267)
Changes in proportion and differences between school district contributions and proportionate share of contributions	103,010	(276,470)
School district's contributions subsequent to the measurement date	1,486,200	0
	\$5,671,745	(\$1,014,736)

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Continued)
Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded) - Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

	<u>Amount</u>
2020	\$1,319,803
2021	998,319
2022	612,121
2023	240,566

Actuarial Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date: September 30, 2018

Actuarial Cost Method: Entry Age, Normal

Wage Inflation Rate: 2.75%

Investment Rate of Return:

- MIP and Basic Plans 6.80%
- Pension Plus Plan 6.80%
- Pension Plus 2 Plan 6.00%

Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%

Cost-of-Living Pension

Adjustments: 3% Annual Non-Compounded for MIP Members

Mortality:

- Retirees RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Continued)
Actuarial Assumptions (Concluded)

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

The long-term expected rate of return on plan assets - The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.5%
Private Equity Pools	18.00	8.6
International Equity Pools	16.00	7.3
Fixed Income Pools	10.50	1.2
Real Estate and Infrastructure Pools	10.00	4.2
Absolute Return Pools	15.50	5.4
Short-Term Investment Pools	2.00	0.8
	<u>100.00%</u>	

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of return – For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Concluded)

Discount rate - A discount rate of 6.80% was used to measure the total pension liability (6.80% for Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate - The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease <u>(5.8% / 5.8% / 5.0%)</u>	Current Single Discount Rate Assumption <u>(6.8% / 6.8% / 6.0%)</u>	1% Increase <u>(7.8% / 7.8% / 7.0%)</u>
<u>\$26,500,284</u>	<u>\$20,383,830</u>	<u>\$15,313,080</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan – At June 30, 2020, the School District reported a payable of approximately \$119,197 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Note 8 Postemployment Benefits Other Than Pensions (OPEB)

Plan Description - The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Plan Description (Concluded) - The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20 year period beginning October 1, 2018 and ending September 30, 2038.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Continued)
Contributions (Concluded) – The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019.

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from School District were \$414,975 for the year ended September 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2020, the School District reported a liability of \$4,338,120 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net OPEB liability was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the School District's proportion was .06043845 percent, which was a decrease of 14.64706 percent from its proportion measured as of October 1, 2018.

For the year ending June 30, 2020, the School District recognized OPEB expense of \$76,787. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between actual and expected experience	\$0	(\$1,591,779)
Changes of assumptions	939,983	0
Net differences between projected and actual earnings on OPEB plan investments	0	(75,442)
Changes in proportion and differences between school district contributions and proportionate share of contributions	8,525	(172,428)
School district's contributions subsequent to the measurement date	351,295	0
	<u>\$1,299,803</u>	<u>(\$1,839,649)</u>

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Continued)
OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

	<u>Amount</u>
2020	(\$236,132)
2021	(236,132)
2022	(199,803)
2023	(141,528)
2024	(77,546)

Actuarial Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Health Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Continued)
Actuarial Assumptions (Concluded)

Summary of Actuarial Assumptions (Concluded)

Other Assumptions:

Opt Out Assumptions 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.5%
Private Equity Pools	18.00	8.6
International Equity Pools	16.00	7.3
Fixed Income Pools	10.50	1.2
Real Estate and Infrastructure Pools	10.00	4.2
Absolute Return Pools	15.50	5.4
Short Term Investment Pools	2.00	0.8
	100%	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 8 Postemployment Benefits Other Than Pensions (OPEB) (Concluded)

Rate of Return - For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$5,321,356	\$4,338,120	\$3,512,475

Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$3,477,471	\$4,338,120	\$5,321,239
\$3,477,471	\$4,338,120	\$5,321,239

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the OPEB Plan - At June 30, 2020, the School District reported a payable of approximately \$58,360 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 9 Enhancement Millage for Technology

Voters of Monroe County passed an enhancement millage based on the taxable value of all property in the Monroe County Intermediate School District. The technology millage was renewed on May 3, 2016, at 0.9866 mill for an additional five years, 2017 to 2021. The intermediate school district will distribute the tax collections to the local school districts based on pupil membership count. The tax millage received by the local school districts will be used for technology enhancements and related expenses.

Note 10 Long-Term Debt

Following is a summary of changes in long-term debt:

	Balance July 1, 2019	Additions	Payments	Balance June 30, 2020	Amounts Due in One Year
Other Liabilities:					
Compensated absences	\$31,021	\$1,535	\$0	\$32,556	\$0

Compensated absences payable represents vested benefits for unused vacation and sick pay under formulas and conditions specified in various employment contracts. The amounts in the “payments” column represent the net change during the year.

Note 11 Lease Commitments - Operating Leases

The School District entered into an operating lease agreement with MT Business Technologies for the use a copy machine. The lease term is forty-eight (48) months, ending December 2021, with payments of \$1,099 per month.

The School District entered into an operating lease agreement with Tax Exempt Leasing Corp. for the use of seven general education busses and one special education bus. The lease term is three years, ending June 20, 2021, with payments of \$95,309 per year.

The School District entered into an operating lease agreement with Tax Exempt Leasing Corp. for the use of one general education bus. The lease term is three years, ending August 1, 2021, with payments of \$13,328 for the first two years, and a balloon payment of \$44,000 in the third year.

Obligations of governmental activities under operating leases at June 30, 2020 were as follows:

Year Ended June 30,	MT Business Leasing	Tax Exempt Leasing Corp	Total
2021	\$6,593	\$108,637	\$115,230
2022	0	44,000	44,000
	\$6,593	\$152,637	\$159,230

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 12 Property Taxes

Property taxes are recorded as revenue when levied and received by the various governmental units that collect the School District's taxes. The School District's 2019 property taxes were levied on December 1, 2019 on assessed valuations as of December 31, 2018. Taxes were collected beginning December 1, 2018 and payments were due by February 14, 2020. Taxable values are based on a percentage of the fair market value of the assessed property.

The following is a summary of the 2019 property tax levy:

	<u>Taxable Value</u>	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund:			
Non-Homestead	\$117,996,088	18.0000	\$2,123,930
Commercial Personal			
Property	1,780,274	6.0000	10,682
Sinking Fund	291,953,986	1.9990	583,616
			<u>583,616</u>
			<u>\$2,718,228</u>

Note 13 Tax Abatement

Municipalities within the School District's boundaries entered into property tax abatement agreements with local business under one program: The Plant and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50 percent of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties.

For the year ended June 30, 2020, the School District's property tax revenue for general obligations was reduced by \$2,322 under these programs. There were no tax abatements made by the School District. The abatements issued by other governmental units are as follows:

<u>Governmental Unit</u>	<u>IFT</u>
Bedford Township	<u>\$2,322</u>

Note 14 Michigan Unemployment Tax

The School District is liable to the State for unemployment claims against the School District on a reimbursement basis. For the year ended June 30, 2020, the School District did not incur any claims.

Note 15 Cafeteria Contract

During the fiscal year ended June 30, 2020, the School District contracted with The Nutrition Group, Inc. to cover all cafeterias within the School District. Pursuant to this agreement, The Nutrition Group, Inc. manages the food service operations of the School District. All costs of The Nutrition Group, Inc. have been reflected in the financial statements of the Food Service Fund.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 16 Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

Note 17 Risk Management and Insurance Pool

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims, self-funds worker's compensation claims subject to stop loss insurance, and participates in the SET-SEG risk pool for general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared risk pool program in which the School District participates operates as a common risk sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 18 Governmental Regulation

Substantially all of the School District's facilities are subject to federal, state, and local provisions regulating the discharge of material into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

Note 19 Sinking Fund

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 20 Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued GASB Statement Number 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on their financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the fiscal year ending June 30, 2021.

MASON CONSOLIDATED SCHOOLS

Notes to Financial Statements

Year Ended June 30, 2020

Note 20 Upcoming Accounting Pronouncements (Concluded)

In January 2017, the Governmental Accounting Standards Board issued GASB Statement Number 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

Note 23 Subsequent Events

The School District's management evaluated subsequent events from June 30, 2020 through September 29, 2020, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the ultimate impact and duration of this outbreak is uncertain, the School District anticipates a negative impact on net assets, operations, and cash flows. Possible effects include, but are not limited to, decreases in property taxes, federal and state grants, charges for services, and other revenue. However, the financial impact of such decreases cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$1,159,496	\$1,209,511	\$1,208,824	(\$687)
State sources	8,551,045	9,286,513	9,076,369	(210,144)
Federal sources	158,625	167,056	167,298	242
Interdistrict and other sources	337,212	454,399	495,525	41,126
Total Revenues	10,206,378	11,117,479	10,948,016	(169,463)
Expenditures				
Instruction:				
Basic programs	5,521,574	5,772,740	5,764,675	8,065
Added needs	1,382,578	1,426,436	1,421,624	4,812
Support services:				
Pupil	638,692	672,603	665,497	7,106
Instructional staff	76,439	88,310	71,865	16,445
General administration	268,344	286,700	273,918	12,782
School administration	699,976	688,862	677,801	11,061
Business administration	249,111	251,146	248,769	2,377
Operation and maintenance	1,103,508	1,149,003	958,316	190,687
Pupil transportation	448,116	508,267	477,886	30,381
Athletics	313,963	286,620	303,431	(16,811)
Central services	85,447	95,990	80,274	15,716
Community service:				
Community recreation	2,143	2,092	2,082	10
Non-public school pupils	30,283	44,588	43,041	1,547
Total Expenditures	10,820,174	11,273,357	10,989,179	284,178
Net Change in Fund Balances	(613,796)	(155,878)	(41,163)	114,715
Fund Balances - Beginning of year	1,319,182	1,342,593	1,755,900	413,307
Fund Balances - End of year	<u>\$705,386</u>	<u>\$1,186,715</u>	<u>\$1,714,737</u>	<u>\$528,022</u>

MASON CONSOLIDATED SCHOOLS

*General Fund
Schedule of Revenues-Budget and Actual
Year Ended June 30, 2020*

	Final Budget	Actual	Positive (Negative) Budget
Local Sources			
Property taxes	\$1,130,256	\$1,130,254	(\$2)
Tuition	11,711	11,616	(95)
Athletics	54,122	54,122	0
Interest income	2,000	1,975	(25)
Reimbursements and donations	4,395	5,387	992
Other revenue	7,027	5,470	(1,557)
Total Local Sources	<u>1,209,511</u>	<u>1,208,824</u>	<u>(687)</u>
State Sources			
Unrestricted grants:			
State school aid	7,349,290	7,140,210	(209,080)
Restricted grants:			
Special education-Headlee obligation	382,279	394,458	12,179
Early literacy	21,231	21,233	2
At Risk	474,721	468,706	(6,015)
Great Start Readiness Preschool	138,364	131,572	(6,792)
Career and technical	57,559	57,702	143
Headlee obligation for data collection	27,503	27,525	22
MPERS rate offset	182,965	182,965	0
MPERS UAAL	643,752	641,571	(2,181)
MPSERS reform	6,450	8,028	1,578
Other state grants	2,399	2,399	0
Total State Sources	<u>9,286,513</u>	<u>9,076,369</u>	<u>(210,144)</u>
Federal Sources			
Title I	119,095	119,067	(28)
Title II	30,680	29,764	(916)
Title IV	10,000	10,026	26
Indian education	6,281	6,281	0
Transfer from intermediate school district:			
Medicaid outreach	1,000	2,160	1,160
Total Federal Sources	<u>167,056</u>	<u>167,298</u>	<u>242</u>
Interdistrict and Other Sources			
Transfer from intermediate school district:			
County special education tax	428,393	473,421	45,028
Insurance reimbursements	14,079	14,079	0
Other revenue	8,550	4,648	(3,902)
Sale of capital assets	3,377	3,377	0
Total Interdistrict and Other Sources	<u>454,399</u>	<u>495,525</u>	<u>41,126</u>
Total Revenues	<u><u>\$11,117,479</u></u>	<u><u>\$10,948,016</u></u>	<u><u>(\$169,463)</u></u>

MASON CONSOLIDATED SCHOOLS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2020

	Salaries	Employee Benefits	Purchased Services
Instruction			
Basic Programs:			
Elementary	\$1,307,499	\$937,255	\$31,690
Middle School	674,739	485,763	16,519
High School	1,000,975	717,456	69,278
Pre-School	100,145	50,396	977
Summer School	2,438	842	0
	<u>3,085,796</u>	<u>2,191,712</u>	<u>118,464</u>
Added Needs:			
Special education	476,378	306,953	3,257
Compensatory education	311,546	197,414	9,021
Career and technical education	52,201	35,868	312
	<u>840,125</u>	<u>540,235</u>	<u>12,590</u>
 Total Instruction	 3,925,921	 2,731,947	 131,054
Support Services			
Pupil:			
Truancy	26,369	19,517	0
Guidance	69,773	52,681	0
Health	0	0	0
Speech	64,642	49,662	0
Social work services	57,891	41,731	0
Teacher Consultant	42,946	28,360	0
Other pupil services	123,173	82,189	0
	<u>384,794</u>	<u>274,140</u>	<u>0</u>
Instructional Staff:			
Improvement of instruction	1,795	598	27,482
Educational media services	25,176	21,226	0
Technology assisted instruction	0	0	(6,039)
	<u>26,971</u>	<u>21,824</u>	<u>21,443</u>
General Administration:			
Board of education	4,020	90	36,793
Executive administration	133,167	90,625	2,388
	<u>137,187</u>	<u>90,715</u>	<u>39,181</u>
School Administration:			
Office of the principal	399,922	270,522	2,006
Other school administration	0	0	85
	<u>399,922</u>	<u>270,522</u>	<u>2,091</u>
Business Administration:			
Fiscal services	127,428	100,008	1,499
Internal services	0	0	270
Other business services	0	0	7,076
	<u>127,428</u>	<u>100,008</u>	<u>8,845</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Positive (Negative) Budget
\$36,278	\$10,339	\$480	\$2,323,541	\$2,323,834	\$293
36,403	0	0	1,213,424	1,215,791	2,367
19,371	0	258,825	2,065,905	2,071,178	5,273
4,316	2,691	0	158,525	158,653	128
0	0	0	3,280	3,284	4
96,368	13,030	259,305	5,764,675	5,772,740	8,065
1,122	0	0	787,710	793,470	5,760
0	0	0	517,981	516,987	(994)
14,790	12,762	0	115,933	115,979	46
15,912	12,762	0	1,421,624	1,426,436	4,812
112,280	25,792	259,305	7,186,299	7,199,176	12,877
0	0	0	45,886	50,894	5,008
0	0	0	122,454	122,456	2
349	0	0	349	349	0
473	0	0	114,777	114,694	(83)
172	0	5,569	105,363	104,619	(744)
0	0	0	71,306	71,066	(240)
0	0	0	205,362	208,525	3,163
994	0	5,569	665,497	672,603	7,106
0	0	0	29,875	29,968	93
1,627	0	0	48,029	52,342	4,313
0	0	0	(6,039)	6,000	12,039
1,627	0	0	71,865	88,310	16,445
906	0	4,988	46,797	59,283	12,486
369	0	572	227,121	227,417	296
1,275	0	5,560	273,918	286,700	12,782
1,463	237	1,605	675,755	686,485	10,730
1,961	0	0	2,046	2,377	331
3,424	237	1,605	677,801	688,862	11,061
2,797	466	9,225	241,423	243,170	1,747
0	0	0	270	900	630
0	0	0	7,076	7,076	0
2,797	466	9,225	248,769	251,146	2,377

MASON CONSOLIDATED SCHOOLS

General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2020

	Salaries	Employee Benefits	Purchased Services
(Concluded)			
Support Services			
Operation and Maintenance:			
Buildings and grounds	\$111,927	\$90,608	\$443,490
Security services	0	0	40,888
	<u>111,927</u>	<u>90,608</u>	<u>484,378</u>
Pupil Transportation	183,985	97,505	147,140
Athletics	89,008	63,111	134,205
Central Services:			
Communication services	14,586	12,533	2,175
Staff services	8,814	4,016	14,269
Technology	0	0	2,438
Pupil accounting	6,083	3,640	0
	<u>29,483</u>	<u>20,189</u>	<u>18,882</u>
Total Support Services	1,490,705	1,028,622	856,165
Community Service			
Community recreation	1,520	562	0
Non-public school pupils	25,923	16,080	1,038
	<u>27,443</u>	<u>16,642</u>	<u>1,038</u>
Total Community Service			
Total Expenditures	<u>\$5,444,069</u>	<u>\$3,777,211</u>	<u>\$988,257</u>

<u>Supplies and Materials</u>	<u>Capital Outlay</u>	<u>Other Expenses</u>	<u>Totals</u>	<u>Final Budget</u>	<u>Positive (Negative) Budget</u>
\$261,440	\$7,836	\$2,070	\$917,371	\$1,098,778	\$181,407
57	0	0	40,945	50,225	9,280
<u>261,497</u>	<u>7,836</u>	<u>2,070</u>	<u>958,316</u>	<u>1,149,003</u>	<u>190,687</u>
38,865	5,038	5,353	477,886	482,944	5,058
7,689	1,500	7,918	303,431	312,478	9,047
0	0	0	29,294	28,228	(1,066)
164	0	78	27,341	27,273	(68)
0	1,425	9,713	13,576	27,454	13,878
0	0	340	10,063	12,500	2,437
<u>164</u>	<u>1,425</u>	<u>10,131</u>	<u>80,274</u>	<u>95,455</u>	<u>15,181</u>
318,332	16,502	47,431	3,757,757	4,027,501	269,744
0	0	0	2,082	2,092	10
<u>0</u>	<u>0</u>	<u>0</u>	<u>43,041</u>	<u>44,588</u>	<u>1,547</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>45,123</u>	<u>46,680</u>	<u>1,557</u>
<u>\$430,612</u>	<u>\$42,294</u>	<u>\$306,736</u>	<u>\$10,989,179</u>	<u>\$11,273,357</u>	<u>\$284,178</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 School District Fiscal Years (Amounts determined as of 9/30 of each year)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. School District's proportion of net pension liability (%)	0.06155%	0.06273%	0.06266%	0.06207%	0.06010%	0.06586%
B. School District's proportion proportionate share of net pension liability	\$20,383,830	\$18,858,612	\$16,238,349	\$15,485,431	\$14,899,149	\$14,507,391
C. School District's covered-employee payroll	\$5,275,927	\$5,324,533	\$5,241,982	\$5,277,599	\$5,068,692	\$5,593,990
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	25.88%	28.23%	32.28%	34.08%	34.02%	38.56%
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

MASON CONSOLIDATED SCHOOLS

*Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 School District Fiscal Years (Amounts determined as of 6/30 of each year)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions	\$1,635,143	\$1,708,228	\$1,469,753	\$1,393,767	\$1,176,760	\$1,854,149
B. Contributions in relation to statutorily required contributions*	\$1,635,143	\$1,708,228	\$1,469,753	\$1,393,767	\$1,176,760	\$1,854,149
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
D. School District's covered-employee payroll	\$5,493,307	\$5,416,862	\$5,304,596	\$5,187,202	\$5,111,459	\$5,291,727
E. Contributions as a percentage of covered-employee payroll	29.77%	31.54%	27.71%	26.87%	23.02%	35.04%

*Contributions in relation to statutorily required contributions are the contributions a school district actually made to MPERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

MASON CONSOLIDATED SCHOOLS

*Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 School District Fiscal Years (Amounts determined as of 9/30 of each year)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. School District's proportion of net OPEB liability (%)	0.06044%	0.06257%	0.06253%
B. School District's proportion proportionate share of net OPEB liability	\$4,338,120	\$4,973,527	\$5,537,462
C. School District's covered-employee payroll	\$5,275,927	\$5,324,533	\$5,241,982
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	121.62%	107.06%	94.66%
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

MASON CONSOLIDATED SCHOOLS

*Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 School District Fiscal Years (Amounts determined as of 6/30 of each year)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required contributions	\$414,975	\$406,129	\$486,834
B. Contributions in relation to statutorily required contributions*	<u>\$414,975</u>	<u>\$406,129</u>	<u>\$486,834</u>
C. Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
D. School District's covered-employee payroll	\$5,493,307	\$5,416,862	\$5,304,596
E. Contributions as a percentage of covered-employee payroll	7.55%	7.50%	9.18%

*Contributions in relation to statutorily required OPEB contributions are the contributions a school district actually made to the OPEB plan, as distinct from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

MASON CONSOLIDATED SCHOOLS
Notes to Required Supplemental Information
Year Ended June 30, 2020

Changes of benefit terms: There were no changes of benefit terms in 2020.

Changes of assumptions: There were no changes of assumptions in 2020.

OTHER SUPPLEMENTAL INFORMATION

MASON CONSOLIDATED SCHOOLS

*Sinking Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Property taxes	\$462,294	\$481,906	\$481,906	\$0
Interest income	500	5,347	5,594	247
	<u>462,794</u>	<u>487,253</u>	<u>487,500</u>	<u>247</u>
State Sources:				
Local community stabilization share	15,000	20,630	20,794	164
	<u>15,000</u>	<u>20,630</u>	<u>20,794</u>	<u>164</u>
Total Revenues	477,794	507,883	508,294	411
	<u>477,794</u>	<u>507,883</u>	<u>508,294</u>	<u>411</u>
Expenditures				
Support services:				
Fiscal	300	150	2	148
Business	100	50	0	50
Operations and maintenance:				
Capital outlay	0	56,773	31,718	25,055
Building improvements:				
Capital outlay	500,000	54,500	42,445	12,055
	<u>500,000</u>	<u>54,500</u>	<u>42,445</u>	<u>12,055</u>
Total Expenditures	500,400	111,473	74,165	37,308
	<u>500,400</u>	<u>111,473</u>	<u>74,165</u>	<u>37,308</u>
Net Change in Fund Balances	(22,606)	396,410	434,129	37,719
Fund Balance - Beginning of year	1,042,989	1,050,550	1,050,550	0
	<u>1,042,989</u>	<u>1,050,550</u>	<u>1,050,550</u>	<u>0</u>
Fund Balance - End of year	<u>\$1,020,383</u>	<u>\$1,446,960</u>	<u>\$1,484,679</u>	<u>\$37,719</u>

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Balance Sheet
Year Ended June 30, 2020*

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Technology	
Assets			
Cash and cash equivalents	\$111,523	\$0	\$111,523
Due from other governmental units	38,800	0	38,800
Due from other funds	10,177	411,434	421,611
Inventory	7,529	0	7,529
Prepaid	1,222	1,319	2,541
	Total Assets	\$412,753	\$582,004
Liabilities			
Accounts payable	\$19,164	\$12,675	\$31,839
Salaries payable	4,980	3,466	8,446
Other liabilities	1,885	964	2,849
Unearned Revenue	9,736	0	9,736
Due to other governmental units	1,602	1,041	2,643
	Total Liabilities	18,146	55,513
Fund Balances			
Nonspendable:			
Inventory	7,529	0	7,529
Prepaid	1,222	1,319	2,541
Restricted for:			
Technology enhancement	0	393,288	393,288
Food service	123,133	0	123,133
	Total Fund Balances	394,607	526,491
	Total Liabilities and Fund Balances	\$412,753	\$582,004

MASON CONSOLIDATED SCHOOLS

*Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2020*

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Technology	
Revenues			
Local sources	\$104,336	\$356,144	\$460,480
State sources	39,225	8,102	47,327
Federal sources	428,693	0	428,693
Total Revenues	572,254	364,246	936,500
Expenditures			
Food service	548,487	0	548,487
Technology	0	330,151	330,151
Total Expenditures	548,487	330,151	878,638
Net Change in Fund Balances	23,767	34,095	57,862
Fund Balances - Beginning of year	108,117	360,512	468,629
Fund Balances - End of year	\$131,884	\$394,607	\$526,491

MASON CONSOLIDATED SCHOOLS

*Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Food sales	\$169,578	\$104,158	\$104,336	\$178
State Sources:				
Restricted grants	37,001	36,753	39,225	2,472
Federal Sources:				
Restricted grants	287,615	391,851	394,078	2,227
Commodities	30,147	30,147	34,615	4,468
	<u>317,762</u>	<u>421,998</u>	<u>428,693</u>	<u>6,695</u>
 Total Revenues	 524,341	 562,909	 572,254	 9,345
Expenditures				
Support services:				
Staff services	100	180	168	12
Food service:				
Salaries	122,745	138,905	133,173	5,732
Employee benefits	67,451	75,111	73,549	1,562
Purchased services	103,978	99,452	97,299	2,153
Supplies and materials	240,118	241,426	219,698	21,728
Capital outlay	25,000	18,800	18,766	34
Other	5,965	5,854	5,834	20
	<u>565,357</u>	<u>579,728</u>	<u>548,487</u>	<u>31,241</u>
 Total Expenditures	 565,357	 579,728	 548,487	 31,241
 Net Change in Fund Balances	 (41,016)	 (16,819)	 23,767	 40,586
 Fund Balance - Beginning of year	 <u>109,148</u>	 <u>99,751</u>	 <u>108,117</u>	 <u>8,366</u>
 Fund Balance - End of year	 <u><u>\$68,132</u></u>	 <u><u>\$82,932</u></u>	 <u><u>\$131,884</u></u>	 <u><u>\$48,952</u></u>

MASON CONSOLIDATED SCHOOLS

Technology Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local sources:				
Property taxes	\$325,000	\$325,000	\$327,358	\$2,358
Donations	0	28,785	28,786	1
	<u>325,000</u>	<u>353,785</u>	<u>356,144</u>	<u>2,359</u>
State sources:				
Restricted grants:				
MPSERS UAAL	6,271	6,271	8,102	1,831
	<u>6,271</u>	<u>6,271</u>	<u>8,102</u>	<u>1,831</u>
Total Revenues	331,271	360,056	364,246	4,190
Expenditures				
Instruction:				
Salaries	50,534	15,635	15,635	0
Employee benefits	33,598	9,537	9,514	23
Purchased services	39,100	35,894	35,881	13
Supplies and materials	5,000	8,266	3,247	5,019
Capital outlay	27,000	147,825	56,037	91,788
	<u>155,232</u>	<u>217,157</u>	<u>120,314</u>	<u>96,843</u>
Support services:				
Salaries	0	58,650	58,600	50
Employee benefits	0	45,944	45,852	92
Purchased services	38,050	26,895	26,650	245
Supplies and materials	1,350	5,680	566	5,114
Capital outlay	40,000	76,855	71,853	5,002
	<u>79,400</u>	<u>214,024</u>	<u>203,521</u>	<u>10,503</u>
Interdistrict and other uses:				
Payments to other governmental units	36,503	6,319	6,316	3
	<u>36,503</u>	<u>6,319</u>	<u>6,316</u>	<u>3</u>
Total Expenditures	271,135	437,500	330,151	107,349
Net Change in Fund Balances	60,136	(77,444)	34,095	111,539
Fund Balance - Beginning of year	<u>357,503</u>	<u>331,724</u>	<u>360,512</u>	<u>28,788</u>
Fund Balance - End of year	<u><u>\$417,639</u></u>	<u><u>\$254,280</u></u>	<u><u>\$394,607</u></u>	<u><u>\$140,327</u></u>

MASON CONSOLIDATED SCHOOLS

*Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2020*

	Student Activities Agency Fund			Balance June 30, 2020
	Balance July 1, 2019	Additions	Deductions	
Assets				
Cash	\$157,866	\$158,343	\$132,029	\$184,180
Total Assets	<u>\$157,866</u>	<u>\$158,343</u>	<u>\$132,029</u>	<u>\$184,180</u>
Liabilities				
Due to student groups	\$155,191	\$155,668	\$129,097	\$181,762
Due to School District	2,675	2,675	2,932	2,418
	<u>\$157,866</u>	<u>\$158,343</u>	<u>\$132,029</u>	<u>\$184,180</u>
	Flexible Spending Agency Fund			
	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets				
Cash	\$9,762	\$7,538	\$9,740	\$7,560
Liabilities				
Other liabilities	<u>\$9,762</u>	<u>\$7,538</u>	<u>\$9,740</u>	<u>\$7,560</u>

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2020*

	Due to (From) Student Groups July 1, 2019	Receipts	Disbursements	Due to (From) Student Groups June 30, 2020
ELEM - Counselor	\$88	\$0	\$0	\$88
ELEM - Kindergarten Field Trips	15	0	0	15
ELEM - Office	3,247	2,938	3,780	2,405
ELEM - Staff Pop Funds	922	476	688	710
ELEM - Bennet, Jill	248	0	0	248
ELEM - 1st Grade Field Trips	1,474	1,716	1,632	1,558
ELEM - Student Council	1,008	991	1,032	967
ELEM - Yenor, Beth	207	0	0	207
ELEM - Harman, Jenny	16	0	0	16
ELEM - Swartz, Megan	3,475	0	0	3,475
ELEM - Library Fines	201	116	253	64
ELEM - Beczynski, Michele	81	0	0	81
ELEM - Krohn, Sara	23	0	0	23
ELEM - Gallaher, Julie	173	0	0	173
ELEM - Hall, Max	731	290	445	576
ELEM - Geddes, Jean	104	0	0	104
ELEM - Swaile, Christina	532	0	0	532
ELEM - Hyden, Katie	10	0	0	10
ELEM - Conway, Lisa	142	0	0	142
ELEM - Kline, Deanna	146	0	0	146
ELEM - Swartz, Karen	15	0	0	15
ELEM - Manley, Lori	727	0	430	297
ELEM - Oberski, Brooke	65	0	0	65
ELEM - Lietart, Adele	224	0	0	224
ELEM - Roberts, Lauren	109	0	0	109
ELEM - Keane, Megan	118	0	0	118
ELEM - Sweigert, Josh	144	0	0	144
ELEM - Gase, Mary Megan	49	0	0	49
ELEM - Kaufman, Melody	468	0	0	468
ELEM - Martin, Floyd	16	0	0	16
ELEM - 2nd Grade Field Trips	2,062	0	0	2,062
ELEM - 3rd Grade Field Trips	1	0	0	1
ELEM - Speech	102	0	0	102
ELEM - Mazur, Maureen	102	0	0	102
ELEM - Camp Storer	16,360	16,139	18,564	13,935
ELEM - Lipowski, Paige	61	0	0	61
ELEM - Pagel, Angie	53	0	0	53
ELEM - 4th Grade Field Trips	673	884	10	1,547
MS -Science Olympiad	4,456	1,810	1,373	4,893

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2020*

	Due to (From) Student Groups July 1, 2019	Receipts	Disbursements	Due to (From) Student Groups June 30, 2020
(Continued)				
MS - Library	\$106	\$222	\$132	\$196
MS - N.J.H.S	432	23	0	455
MS - Principal Acct	4,373	1,169	740	4,802
MS - Volunteer Program	1,434	0	32	1,402
MS - PHYS ED	738	0	441	297
MS - Yearbook	2,990	368	1,282	2,076
MS - Youth in Government	980	9,020	8,729	1,271
MS - Art	301	213	3	511
MS - 7th Grade	227	0	0	227
MS - 8th Grade	3,382	34,637	31,471	6,548
MS - 6th Grade	208	1,170	1,099	279
MS - Student Pop Funds	221	152	2	371
MS - Staff Pop Funds	223	53	187	89
MS - Denko - Donated At Risk	1,133	480	6	1,607
MS - Peer to Peer	1,412	0	0	1,412
MS - PBIS	965	5,071	5,737	299
MS - Math Counts	789	454	337	906
HS - Art	1,657	0	39	1,618
HS - Robotics Team	28	0	0	28
HS - Senior Signs	599	0	0	599
HS - Reghard Scholarship	1,055	0	500	555
HS - Dawn Schmidt Scholarship	999	621	7	1,613
HS - Building Improvements	158	0	0	158
HS - Media Center	204	498	454	248
HS - Miscellaneous	477	185	2	660
HS - Yearbook	2,891	8,884	1,758	10,017
HS - Counseling Department	12	0	0	12
HS - Spanish Club	11	0	0	11
HS - Lumber	12,265	8,647	6,240	14,672
HS - Student Pop Funds	2,321	2,904	478	4,747
HS - Planetarium	423	260	2	681
HS - Band	141	0	0	141
HS - Student Council	11,813	5,203	3,354	13,662
HS - Parent Group	282	0	0	282
HS - Steingass Scholarship	4,122	0	500	3,622
HS - After Prom Party	3,024	775	9	3,790
HS - Youth-in-Government	449	10,108	6,172	4,385
HS - National Honor Society	10	9	0	19
HS - Staff Pop Funds	1,599	1,454	1,293	1,760

MASON CONSOLIDATED SCHOOLS

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2020*

	Due to (From) Student Groups July 1, 2019	Receipts	Disbursements	Due to (From) Student Groups June 30, 2020
(Concluded)				
HS - Davinci Disciples	\$191	\$0	\$0	\$191
HS - Student Prevention Leadership	1,941	2,000	1,371	2,570
HS - Dollars for Scholars	1,211	1,677	2,888	0
HS - Unified Champions	1,292	1,221	175	2,338
HS - Physical Education	348	0	0	348
HS - Weightlifting	315	0	0	315
HS - Class of 65 Sign	4,851	0	0	4,851
HS - Choir	141	208	1	348
HS - Science Olympiad	109	260	1	368
HS - Class of 2019	711	0	711	0
HS - Class of 2020	1,924	4,479	1,130	5,273
HS - Class of 2021	1,746	4,909	1,389	5,266
HS - Class of 2022	54	1,958	1,533	479
ATH - HS Football	18	0	0	18
ATH - MS Football	22	0	0	22
ATH - Athletic Activity	5,037	12,375	12,577	4,835
Darrin Klod Athletic Memorial Fun	1,789	0	0	1,789
ATH - Volleyball	61	0	61	0
ATH - Softball	3,591	0	0	3,591
ATH - Wrestling	324	98	422	0
ATH - Girls Swimming	1,075	480	347	1,208
ATH - Cheerleading	1,681	1,889	2,848	722
ATH - Boys Basketball	132	0	0	132
ATH - Baseball	443	865	464	844
ATH - Girls Basketball	2,071	0	0	2,071
ATH - Cross Country	14,392	2,956	1,081	16,267
ATH - Boys Swimming	2,154	650	1,764	1,040
ATH - Golf	224	0	0	224
ATH - Track	2,254	0	0	2,254
Sales Tax	113	907	936	84
Alumni Association	333	0	0	333
Eagle Run	175	0	175	0
Enrichment - Krogers	1,251	796	10	2,037
Board of Education	2	0	0	2
Student Workers	113	0	0	113
Total Due to Student Groups	\$155,191	\$155,668	\$129,097	\$181,762

MASON CONSOLIDATED SCHOOLS

*Schedule of Athletics
Budget and Actual
Year Ended June 30, 2020*

	Original Budget	Final Budget	Actual	Positive (Negative) Budget
Revenues				
Local Sources:				
Admissions	\$30,500	\$33,696	\$33,696	\$0
Participation fees	18,100	20,425	20,425	0
Other revenue	0	1	1	0
Total local sources	<u>48,600</u>	<u>54,122</u>	<u>54,122</u>	<u>0</u>
State Sources:				
Restricted grants	<u>10,898</u>	<u>8,502</u>	<u>10,540</u>	<u>2,038</u>
Total Revenues	<u><u>\$59,498</u></u>	<u><u>\$62,624</u></u>	<u><u>\$64,662</u></u>	<u><u>\$2,038</u></u>
Expenditures				
Pupil Transportation:				
Salaries	\$13,650	\$17,516	\$16,512	\$1,004
Employee benefits	6,552	7,807	7,737	70
Staff Services:				
Purchased services	1,500	535	372	163
Athletics:				
Salaries	74,164	72,820	72,496	324
Employee benefits	46,609	55,952	55,374	578
Purchased services	164,651	135,188	133,834	1,354
Supplies and materials	17,500	12,691	7,689	5,002
Capital outlay	1,500	1,500	1,500	0
Other expenses	<u>8,981</u>	<u>8,469</u>	<u>7,918</u>	<u>551</u>
Total Expenditures	<u><u>\$335,107</u></u>	<u><u>\$312,478</u></u>	<u><u>\$303,432</u></u>	<u><u>\$9,046</u></u>

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2020*

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Education</u>			
Indian Education	S060A180275	84.060A	\$8,218
Indian Education	S060A190275	84.060A	7,468
			15,686
Passed Through State Department of Education:			
Title I, Part A - Improving Basic Programs	191530-1819	84.010A	126,109
Title I, Part A - Improving Basic Programs	201530-1920	84.010A	124,940
			251,049
Title II, Part A - Teacher/Principal Training & Recruiting	190520-1819	84.367A	71,499
Title II, Part A - Teacher/Principal Training & Recruiting	200520-1920	84.367A	64,558
			136,057
Title IV, Part A - SSAE	190750-1819	84.424A	10,000
Title IV, Part A - SSAE	200750-1920	84.424A	10,026
			20,026
Total Passed Through State Dept. of Education			407,132
Total U.S. Department of Education			415,350
<u>U.S. Department of Health and Human Services</u>			
Passed Through Intermediate School District:			
Medicaid Outreach		93.778	2,160

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2019	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2020
\$0	\$8,218	\$0	\$0	\$0
0	0	6,281	6,281	0
<u>0</u>	<u>8,218</u>	<u>6,281</u>	<u>6,281</u>	<u>0</u>
773	119,773	3,003	3,776	0
0	0	116,064	88,029	28,035
<u>773</u>	<u>119,773</u>	<u>119,067</u>	<u>91,805</u>	<u>28,035</u>
5,037	39,024	242	5,279	0
0	0	29,522	18,565	10,957
<u>5,037</u>	<u>39,024</u>	<u>29,764</u>	<u>23,844</u>	<u>10,957</u>
0	9,974	0	0	0
0	0	10,026	0	10,026
<u>0</u>	<u>9,974</u>	<u>10,026</u>	<u>0</u>	<u>10,026</u>
<u>5,810</u>	<u>168,771</u>	<u>158,857</u>	<u>115,649</u>	<u>49,018</u>
<u>5,810</u>	<u>176,989</u>	<u>165,138</u>	<u>115,649</u>	<u>49,018</u>
<u>\$0</u>	<u>\$883</u>	<u>2,160</u>	<u>\$2,160</u>	<u>\$0</u>

MASON CONSOLIDATED SCHOOLS

*Schedule of Expenditures of Federal Awards
Year ended June 30, 2020*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
Cash Assistance:		
National School Lunch Program		
191960 All Lunches	10.555	\$193,658
201960 All Lunches	10.555	122,903
200902 Unanticipated School Closure Lunch Service	10.555	195,227
		<u>511,788</u>
191970 Breakfast	10.553	70,169
201970 Breakfast	10.553	43,718
		<u>113,887</u>
191920 Child and Adult Care Food Program	10.558	80
201920 Child and Adult Care Food Program	10.558	956
		<u>1,036</u>
		<u>626,711</u>
Noncash Assistance:		
National Lunch Program Commodities	10.555	34,615
		<u>34,615</u>
Total U.S. Department of Agriculture		<u>661,326</u>
Total Federal Financial Assistance		<u><u>\$1,078,836</u></u>

See accompanying notes to this schedule.

Accrued (Deferred) Revenue July 1, 2019	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Federal Funds/ Payments In-kind (Cash Basis)	Accrued (Deferred) Revenue June 30, 2020
\$0	\$170,102	\$23,556	\$23,556	\$0
0	0	122,903	122,903	0
0	0	195,227	159,939	35,288
<u>0</u>	<u>170,102</u>	<u>341,686</u>	<u>306,398</u>	<u>35,288</u>
0	62,531	7,638	7,638	0
0	0	43,718	43,718	0
<u>0</u>	<u>62,531</u>	<u>51,356</u>	<u>51,356</u>	<u>0</u>
0	0	80	80	0
0	0	956	956	0
<u>0</u>	<u>0</u>	<u>1,036</u>	<u>1,036</u>	<u>0</u>
<u>0</u>	<u>232,633</u>	<u>394,078</u>	<u>358,790</u>	<u>35,288</u>
0	33,101	34,615	34,615	0
<u>\$0</u>	<u>\$265,734</u>	<u>428,693</u>	<u>\$393,405</u>	<u>\$35,288</u>
		<u>\$595,991</u>		

MASON CONSOLIDATED SCHOOLS

*Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020*

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Mason Consolidated Schools under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mason Consolidated Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mason Consolidated Schools.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as a reimbursement.
3. Mason Consolidated Schools has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
4. Certain federal programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.
5. There were no federal awards expended for loan or loan guarantee programs.
6. Mason Consolidated Schools does not have any subrecipients.
7. The amounts reported on the Grant Section Auditors Report reconcile with this schedule.

COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Mason Consolidated Schools
Monroe County, Michigan

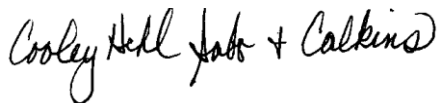
In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Education, management, others within the School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



September 29, 2020

COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2020

To the Board of Education
Mason Consolidated Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Consolidated Schools for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mason Consolidated Schools are described in Note 2 to the financial statements. No new accounting policies were adopted and application of existing policies was not changed during the 2019-20 fiscal year. We noted no transactions entered into by the school district during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance of doubtful accounts is based on confirmation of the state aid status report. We evaluated the key factors and assumptions used to develop the estimate of a zero percent for the allowance of doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of depreciable capital assets is based on the length of time those assets will provide economic benefit in the future.

Management's estimate of the accrued compensated absences is based on formulas and conditions specified in various contracts regarding vacation and sick leave benefits.

To the Board of Directors
Mason Consolidated Schools

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The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the school's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mason Consolidated Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the major fund budget and actual statement and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Board of Directors
Mason Consolidated Schools

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Other Matters (continued)

We were engaged to report on the nonmajor fund budget and actual statements, the agency changes in assets and liabilities, and the federal financial assistance program schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

This information is intended solely for the Board of Directors and management of Mason Consolidated Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Coolley Hill Jabs + Calkins